

**THE REGIONAL PLANNING COMMISSION
OF GREATER BIRMINGHAM**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2006 AND 2005**

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MANAGEMENT DISCUSSION AND ANALYSIS

The first major requirement of GASB Statement 34 (Governmental Accounting Standards Board) is the Management Discussion and Analysis (MD&A). The purpose of an MD&A is a discussion, in laymen's terms, of current year results in comparison to the prior year.

The discussion and analysis of the Regional Planning Commission of Greater Birmingham's (the Commission) financial performance is for the Commission's financial activities for the fiscal years ending September 30, 2005 and 2006.

The Commission's financial condition has continued to deteriorate between FY 2005 and FY 2006; the subsequent narrative explains the causes for the financial condition of the Commission. However it should be stated initially that in June 2006, a new management team was installed and a search for an Executive Director was initiated. During this period two loans were taken out by the Commission to eliminate outstanding payables and to place the Commission on solid financial ground. Subsequently, a new Executive Director was hired in December of 2006 and continues to correct the deficiencies in the Commission's operating environment that led to the deficit situation.

FINANCIAL HIGHLIGHTS

- The Commission's total net assets decreased by \$973,366 from FY 2005 to FY 2006, from a negative balance of \$616,253 in FY 2005 to a negative balance of \$1,589,619 in FY 2006.
- Total program and general revenues decreased from \$5,163,186 in FY 2005 to \$4,946,931 in FY 2006, a decrease of \$216,255 or 4.2%, while total program expenses increased \$232,546 from FY 2005 to FY 2006, or 4%.

USING THE ANNUAL FINANCIAL STATEMENT

The Annual Financial Statement consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 9-11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

The Fund financial statements (pages 12-15) explains how these services were financed in the short term as well as what remains for future spending in FY 2005. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds:

Fiduciary fund financial statements (pages 16-19) include assets the Commission holds in a trustee capacity and cannot be used to finance the entity's operations.

USING THE ANNUAL FINANCIAL STATEMENT (Continued)

Reporting the Commission as a Whole

The analysis of the Commission as a whole begins on page 3. One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes. The Commission's net assets, the difference between assets and liabilities, can be thought of as one way to measure financial health, or financial position. Over time, increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

Other non-financial factors need to be considered, such as changes in the Commission's amount of intergovernmental transfers, to assess the overall health of the Commission.

In the Statement of Net Assets and the Statement of Activities, the Commission's Governmental activities are reported, including general administration, transportation planning, traffic safety programs, human resources (Senior Services), and other community planning programs.

Reporting the Commission's Most Significant Funds

The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the Commission as a whole. Some funds are required to be established by state law and by other federal regulation(s). The Commission's Board has also established other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for use of certain grant funds.

The Commission's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

Reporting the Commission's Most Significant Funds (Continued)

Management describes the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation immediately following the fund financial statements and through footnote disclosure.

THE COMMISSION AS A WHOLE

The analysis in this section focuses on the net assets and changes in net assets, as reflected in the following condensed statements of the Commission's activities, which are all presented as governmental.

The Commission's combined net assets decreased by \$973,366 during FY 2006. However, the components of net assets showed differing amounts of increases and decreases. Net assets invested in capital assets, net of related debt, decreased \$52,102. Unreserved fund balance deficit increased \$921,264.

The decrease in net assets invested in capital assets was the result of \$51,202 of current depreciation expense.

The deficit in unreserved net assets was the result of an operating loss of \$973,366 in the Statement of Activities.

The Commission's total revenues decreased by approximately \$216,255 from FY 2005 to FY 2006, or 4.2%. The total expenses of all programs and services actually increased by approximately \$232,546, or 4%, during the same time period. However, individual revenue and expense components both increased and decreased by various amounts. The primary reason for the reduction in total revenues was due to completed projects in the Transportation program area which were primarily programmed for third parties. Expenses did increase during FY 2006 due to unforeseen expenditures such as those for Directors and Officers and Errors and Omissions insurance. Additionally, rental and operating expenses were higher than anticipated.

THE COMMISSION'S FUNDS

Total governmental funds have a deficit balance of \$1,589,619 for the year ended September 30, 2006 compared to the deficit of \$616,253 as of September 30, 2005, or a net decrease of \$973,366. This is partially due to the Commission's indirect rate, which is used to fund administrative and other overhead expenses. The budgeted rates were 33% in FY 2005 and 48% in FY 2006 versus actual rates of 51.55% (2006) and 51.68% (2005), respectively.

BUDGETS AND DEFICIT CAUSES

The Commission's budgets for these periods were not adopted in a timely manner to use as a management tool and did not reflect a realistic view of the Commission's resources and uses. Due to lack of timely information or a realistic method of budgeting revenues and expenses, it is not practical to analyze any type of budget versus actual comparisons. For this reason, and due to the fact that a legally adopted budget is not required by the organization, this comparison is not included in the financial statements. The FY 2005 budget is based on funding sources, while FY 2006 is based on projects. Neither contains supplemental information that lends itself to comparison. In addition, these budgets contained projects and funding sources which did not materialize. Budgeted revenues totaled approximately \$15.5 million for both FY 2005 and FY 2006, while actual revenues were closer to \$5.1 million for FY 2005 and \$4.9 million for FY 2006. Budgeted expenses did not equal budgeted revenues, however, budgeted revenues that did not materialize resulted in the incurrence of additional expenses that were not reimbursable from grantors.

As mentioned previously, the indirect rate, which provides funding for the administrative portion of the Commission, was not adjusted to reflect unbudgeted expenses and was suppressed in an effort to be competitive in the grant acquisition process. This resulted in the inability to recoup administrative costs in the general fund as the rent increase and associated capital expenses were not eligible as direct costs chargeable to programs. See audit Note 2, Summary of Significant Accounting Policies, for a discussion of direct expenses.

Further, budgets for fiscal year 2006 were not adopted until January of the year in which it was to be used for governance, a full quarter after the fiscal year began. The FY 2005 budget was adopted in September of 2004, however the revenues were overestimated and a lack of financial reporting hampered the ability to track potential revenues and expenses. The FY 2003 and 2004 audits, also performed by DLMC, indicated a need for budgets to be prepared in advance of the fiscal year and that financial reporting be made a priority by management and used to track actual revenues and expenses. Unfortunately, these remain issues during FY 2005 and FY 2006. Previous management of the Commission did not fully implement these measures.

As the deficit began to increase and cash flows were increasingly tight, vendors were not paid in a timely fashion contributing to the delay in issuing this and previous audit reports.

Budget modifications were not made during either year reflecting any of the information outlined in this narrative.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2006, the Commission had \$58,472 invested in capital assets. These include office furniture and equipment. This amount represents a net decrease of \$52,102 from FY 2005 due to depreciation.

Debt

In FY 2005 the Commission had an available line of credit with a bank in the amount of \$240,000. In FY 2006 the Commission obtained two loans totaling \$1.5 million. The first loan was a short-term working capital note in the amount of \$250,000. This was used to process payables for which the Commission was eligible to be reimbursed. The note was repaid in accordance with the terms on November 30, 2006. The second note was for \$1.25 million and used to pay debts incurred by the Commission for which it had already been reimbursed either directly from programs or through the application of the indirect rate. Additionally, \$300,000 of the proceeds was used to pay off the line of credit. The amount outstanding under the line of credit was \$240,000 as of September 30, 2005, but was refinanced into the long term note as of September 30, 2006.

CURRENTLY KNOWN FACTS AND CONDITIONS

The Commission has undergone significant changes since the initial reporting period of this audit. The former Executive Director resigned in May 2006. The Director of Finance also entered into a separation agreement and is no longer employed by the Commission. In addition, several other employees have also left in the wake of the Commission's financial difficulties. These staff reductions have eased unfunded expenses and allowed the Commission to avoid further reductions in its workforce.

The Director of Transportation Planning, William R. Foisy, a 33-year employee of the Commission, was the Acting Executive Director from June, 2006 until Charles Ball, AICP was hired as Executive Director effective December, 11, 2006.

As previously mentioned, in July 2006, the Commission received two loans from Wachovia bank totaling \$1,500,000. \$1,250,000 was used to pay off all of the Commission's vendors for which reimbursements had been made by grantors and the funds used to pay other liabilities (This is noted as a finding in the FY 2004 audit). The note has a 10-year term, with a floating interest rate at 1-month LIBOR. The additional \$250,000 was used as a short-term working capital note in an effort to clear other payables which the Commission had incurred, but did not have the cash flow to pay, and thus receive reimbursement. The working capital note was repaid on November 30, 2006 per the terms of the loan.

CURRENTLY KNOWN FACTS AND CONDITIONS (Continued)

Jefferson County, Alabama guaranteed both loans to Wachovia. In an effort to ensure that the long-term note is serviced, the Commission's Board of Directors approved a \$90,000 increase in member government dues for FY 2007 and required an equal amount of reductions in expenses. An additional \$90,000 is to be raised in future fiscal years in an effort to guard against rising interest rates.

In an effort to gain control of the agency finances several other actions have taken place. The first of these has been the adoption of a balanced FY 2007 Commission budget in August 2006, well before the beginning of the fiscal year. The budget sets aside \$180,000 for debt service and the remaining member dues are allocated to leverage grant programs and other funding sources. A dues surplus of approximately \$75,000 is projected in FY 2007; however, the budget expenses are somewhat qualified in that current management had little or no internal historical financial data on which to rely.

In an effort to correct financial reporting deficiencies, the Commission is in the process of pilot-testing a set of standard operating procedures and an improved internal control structure for the finance staff. Once the testing phase is complete these will be implemented within a three month period.

The Commission has also hired a new controller, Brian O'Dell. Mr. O'Dell is currently working with the existing finance staff to maintain the daily financial operations of the Commission and to fully implement the accounting system software in accordance with the recommendations outlined in the Fraud Vulnerability Assessment conducted in July 2006 by an independent accounting firm.

Management has implemented accurate and timely financial reporting including such activities as weekly management and finance meetings to discuss daily operations of the Commission. Records of these meetings are provided to the Board and committees on a regular basis.

The FY 2007 financial reports are being used by management to compare budget versus actual expenses and revenues, but also by the various Commission committees, such as Program/Budget and Finance, to set policy and direction for the agency. The Board and these associated committees were not receiving adequate budgetary information prior to the first quarter of FY 2007.

The general organizational structure of the agency continues to be reexamined to ensure that the programs and staffing of the Commission fit with the agency's intended purpose and mission and that costs can be adequately covered by Commission revenues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of our region with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

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REPORT OF INDEPENDENT AUDITORS

To the Executive Committee of the
Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

We have audited the accompanying basic financial statements of the Regional Planning Commission of Greater Birmingham ("the Commission") as of September 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Commission and each major fund, as of September 30, 2006 and 2005, and the respective changes in financial position, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 29, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Commission. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of the Commission. The schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 10 to the financial statements, the Commission expended during 2005 certain federal grant funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of these matters, which have been reported to appropriate officials, is uncertain at this time. Accordingly, no provision for any liability has been made in the financial statements for possible federal claims for refunds of those grant monies.

DiPiazza, LaRocca, McDowell & Co., P.C.

January 29, 2007

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Statements of Net Assets September 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 619,198	\$ 24,494
Receivables from Federal grantors and subgrantee agencies	<u>939,544</u>	<u>1,192,056</u>
Total current assets	1,558,742	1,216,550
Capital assets:		
Equipment, furnishings and fixtures	789,381	789,381
Accumulated depreciation	<u>(730,909)</u>	<u>(678,807)</u>
Total capital assets	58,472	110,574
Total assets	<u>\$ 1,617,214</u>	<u>\$ 1,327,124</u>
LIABILITIES		
Accounts payable	\$ 1,475,465	\$ 1,608,870
Accrued compensated absences	56,583	78,747
Line of credit	-	240,000
Current portion of long-term debt	362,962	-
Withholdings payable	<u>189,897</u>	<u>15,760</u>
Total current liabilities	2,084,907	1,943,377
Long-term debt	<u>1,121,926</u>	<u>-</u>
Total long term liabilities	1,121,926	-
Total liabilities	<u>3,206,833</u>	<u>1,943,377</u>
NET ASSETS		
Invested in capital assets	58,472	110,574
Unreserved fund deficit	<u>(1,648,091)</u>	<u>(726,827)</u>
Total net assets	<u>(1,589,619)</u>	<u>(616,253)</u>
Total liabilities and net assets	<u>\$ 1,617,214</u>	<u>\$ 1,327,124</u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Statement of Activities
For the year ended September 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense)</u> Revenue and <u>Changes in Net Assets</u> Governmental Activities
<u>Functions/Programs</u>			
<u>Primary government:</u>			
Governmental activities:			
General government	\$ 593,103	\$ 1,268,606	\$ 675,503
Transportation planning	3,829,996	2,237,819	(1,592,177)
Human resources	1,161,711	1,105,483	(56,228)
Other regional planning	335,487	335,023	(464)
Total governmental activities	<u>5,920,297</u>	<u>4,946,931</u>	<u>(973,366)</u>
Total primary government	<u>\$ 5,920,297</u>	<u>\$ 4,946,931</u>	<u>(973,366)</u>
		Change in net assets	(973,366)
		Net assets beginning	(616,253)
		Net assets ending	<u><u>(1,589,619)</u></u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Statement of Activities
For the year ended September 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets</u> Governmental Activities
<u>Functions/Programs</u>			
<u>Primary government:</u>			
Governmental activities:			
General government	\$ 824,744	\$ 862,867	\$ 38,123
Transportation planning	3,428,468	2,957,095	(471,373)
Traffic safety	1,263	31,827	30,564
Human resources	1,108,030	1,138,807	30,777
Other regional planning	325,246	172,590	(152,656)
Total governmental activities	<u>5,687,751</u>	<u>5,163,186</u>	<u>(524,565)</u>
Total primary government	<u>\$ 5,687,751</u>	<u>\$ 5,163,186</u>	<u>(524,565)</u>
Change in net assets			(524,565)
Net assets beginning			(91,688)
Net assets ending			<u><u>(616,253)</u></u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Balance Sheet
Governmental Funds
September 30, 2006**

	<u>General</u>	<u>Transportation</u>	<u>Human Resources</u>	<u>Other Regional Planning</u>	<u>Total Governmental Services</u>
ASSETS					
Cash and cash equivalents	\$ -	-	512,452	106,746	\$ 619,198
Receivables from Federal grantors and subgrantee agencies	831,914	-	-	107,630	939,544
Due from other funds	1,413,428	1,413,428	-	-	1,413,428
Total assets	<u>831,914</u>	<u>1,413,428</u>	<u>512,452</u>	<u>214,376</u>	<u>2,972,170</u>
LIABILITIES					
Accounts payable	(9,963)	1,426,264	44,757	14,407	1,475,465
Due to other funds	777,925	-	460,534	174,969	1,413,428
Current portion of long-term debt	362,962	-	-	-	362,962
Other liabilities	170,572	(12,836)	7,161	25,000	189,897
Total liabilities	<u>1,301,496</u>	<u>1,413,428</u>	<u>512,452</u>	<u>214,376</u>	<u>3,441,752</u>
NET ASSETS					
Unreserved fund balance (deficit)	(469,582)	-	-	-	(469,582)
Total liabilities and net assets	<u>\$ 831,914</u>	<u>1,413,428</u>	<u>512,452</u>	<u>214,376</u>	<u>\$ 2,972,170</u>

Amounts reported for governmental activities in the statement of net assets are different because:
 Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.
 Compensated absences of governmental activities are not financial resources; and therefore, are not reported in the funds.
 Long-term portion of debt is not a current obligation; and therefore, is not reported in the funds.
 Unreserved net assets

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Balance Sheet
Governmental Funds
September 30, 2005**

	<u>General</u>	<u>Transportation</u>	<u>Traffic Safety</u>	<u>Human Resources</u>	<u>Other Regional Planning</u>	<u>Total Governmental Services</u>
ASSETS						
Cash and cash equivalents	\$ -	-	-	24,494	-	\$ 24,494
Receivables from Federal grantors and subgrantee agencies	1,192,056	-	-	-	-	1,192,056
Due from other funds	1,243,861	-	-	-	-	1,243,861
Total assets	<u>2,435,917</u>	<u>-</u>	<u>-</u>	<u>24,494</u>	<u>-</u>	<u>2,460,411</u>
LIABILITIES						
Accounts payable	1,608,870	-	-	-	-	1,608,870
Due to other funds	1,226,614	-	-	17,247	-	1,243,861
Line of credit	240,000	-	-	-	-	240,000
Other liabilities	8,513	-	-	7,247	-	15,760
Total liabilities	<u>3,083,997</u>	<u>-</u>	<u>-</u>	<u>24,494</u>	<u>-</u>	<u>3,108,491</u>
NET ASSETS						
Unreserved fund balance (deficit)	(648,080)	-	-	-	-	(648,080)
Total liabilities and net assets	<u>\$ 2,435,917</u>	<u>-</u>	<u>-</u>	<u>24,494</u>	<u>-</u>	<u>\$ 2,460,411</u>

Amounts reported for governmental activities in the statement of net assets are different because:
 Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.
 Compensated absences of governmental activities are not financial resources; and therefore, are not reported in the funds.
 Unreserved net assets

110,574
(78,747)
\$ (616,253)

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the year ended September 30, 2006

	General	Transportation Programs	Human Resources	Other Regional Planning	Total Governmental Services
REVENUES					
Regional appropriations	\$ 1,014,344	132,781	60,729	161,534	\$ 1,369,388
From grantor agencies	188,528	2,049,981	1,041,505	152,750	3,432,764
Subgrantee match	189,803	55,057	3,250	20,739	268,849
Total revenues	1,392,675	2,237,819	1,105,484	335,023	5,071,001
EXPENDITURES					
Current					
General government	541,001	-	-	-	541,001
Transportation planning	-	3,829,996	-	-	3,829,996
Human resources	-	-	1,161,711	-	1,161,711
Other regional planning	-	-	-	335,487	335,487
Total expenditures	541,001	3,829,996	1,161,711	335,487	5,868,195
Excess (deficit) of revenues over expenditures	851,674	(1,592,177)	(56,227)	(464)	(797,194)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,592,177	56,227	464	1,648,868
Transfers out	(673,176)	-	-	-	(673,176)
Total other financing sources and uses	(673,176)	1,592,177	56,227	464	975,692
Net change in fund balances	178,498	-	-	-	178,498
Fund balances - beginning	(648,080)	-	-	-	(648,080)
Fund balances - ending	\$ (469,582)	-	-	-	\$ (469,582)

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the year ended September 30, 2005

	<u>General</u>	<u>Transportation Programs</u>	<u>Traffic Safety</u>	<u>Human Resources</u>	<u>Other Regional Planning</u>	<u>Total Governmental Services</u>
REVENUES						
Regional appropriations	\$ 584,761	(3,648)	350	52,155	7,774	\$ 641,392
From grantor agencies	103,320	2,769,243	30,000	1,082,922	164,566	4,150,051
Subgrantee match	174,786	191,500	1,477	3,730	250	371,743
Total revenues	<u>862,867</u>	<u>2,957,095</u>	<u>31,827</u>	<u>1,138,807</u>	<u>172,590</u>	<u>5,163,186</u>
EXPENDITURES						
Current						
General government	736,312	-	-	-	-	736,312
Transportation planning	-	3,428,468	-	-	-	3,428,468
Traffic safety	-	-	1,263	-	-	1,263
Human resources	-	-	-	1,108,030	-	1,108,030
Other regional planning	-	-	-	-	325,248	325,248
Total expenditures	<u>736,312</u>	<u>3,428,468</u>	<u>1,263</u>	<u>1,108,030</u>	<u>325,248</u>	<u>5,599,321</u>
Excess (deficit) of revenues over expenditures	<u>126,555</u>	<u>(471,373)</u>	<u>30,564</u>	<u>30,777</u>	<u>(152,658)</u>	<u>(436,135)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	471,373	-	-	152,658	624,031
Transfers out	(566,821)	-	(30,564)	(30,777)	-	(628,162)
Total other financing sources and uses	<u>(566,821)</u>	<u>471,373</u>	<u>(30,564)</u>	<u>(30,777)</u>	<u>152,658</u>	<u>(4,131)</u>
Net change in fund balances	<u>(440,266)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440,266)</u>
Fund balances - beginning	<u>(207,814)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(207,814)</u>
Fund balances - ending	<u>\$ (648,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (648,080)</u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Fiduciary Net Assets Fiduciary Funds and Similar Component Units September 30, 2006

	Deferred Compensation <u>Plan</u>	Regional Loan <u>Fund</u>	Total Fiduciary <u>Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ -	810,056	\$ 810,056
Receivables from loan recipients	-	356,162	356,162
Investments	<u>559,440</u>	<u>-</u>	<u>559,440</u>
Total assets	<u>559,440</u>	<u>1,166,218</u>	<u>1,725,658</u>
NET ASSETS			
Held in trust for pension benefits	559,440	-	559,440
Held in trust for issuing loans	<u>-</u>	<u>1,166,218</u>	<u>1,166,218</u>
Total net assets	<u>\$ 559,440</u>	<u>1,166,218</u>	<u>\$ 1,725,658</u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
September 30, 2005**

	Deferred Compensation Plan	Regional Loan Fund	Total Fiduciary Net Assets
ASSETS			
Cash and cash equivalents	\$ -	496,337	\$ 496,337
Receivables from loan recipients	-	666,281	666,281
Investments	<u>515,367</u>	<u>-</u>	<u>515,367</u>
Total assets	<u><u>515,367</u></u>	<u><u>1,162,618</u></u>	<u><u>1,677,985</u></u>
NET ASSETS			
Held in trust for pension benefits	515,367	-	515,367
Held in trust for issuing loans	<u>-</u>	<u>1,162,618</u>	<u>1,162,618</u>
Total net assets	<u><u>\$ 515,367</u></u>	<u><u>1,162,618</u></u>	<u><u>\$ 1,677,985</u></u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Statement of Changes in Fiduciary Net Assets Fiduciary Funds and Similar Component Units For the year ended September 30, 2006

	Deferred Compensation <u>Plan</u>	Regional Loan <u>Fund</u>	Total Fiduciary <u>Activity</u>
ADDITIONS			
Contributions from plan members	\$ 11,365	\$ -	\$ 11,365
Investment income:			
Net appreciation in fair value of investments	33,774	-	33,774
Interest	-	43,695	43,695
Total additions	45,139	43,695	88,834
DEDUCTIONS			
Benefits	(1,066)	-	(1,066)
Administrative expenses	-	(40,095)	(40,095)
Total deductions	(1,066)	(40,095)	(41,161)
Net change in net assets	44,073	3,600	47,673
Net assets- beginning	515,367	1,162,618	1,677,985
Net assets- ending	\$ 559,440	\$ 1,166,218	\$ 1,725,658

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
For the year ended September 30, 2005**

	Deferred Compensation <u>Plan</u>	Regional Loan <u>Fund</u>	Total Fiduciary <u>Activity</u>
ADDITIONS			
Contributions from plan members	\$ 13,935	\$ -	\$ 13,935
Investment income:			
Net appreciation in fair value of investments	35,866	-	35,866
Interest	-	39,276	39,276
Total additions	<u>49,801</u>	<u>39,276</u>	<u>89,077</u>
DEDUCTIONS			
Benefits	(8,821)	-	(8,821)
Administrative expenses	(348)	(46,410)	(46,758)
Total deductions	<u>(9,169)</u>	<u>(46,410)</u>	<u>(55,579)</u>
Net change in net assets	40,632	(7,134)	33,498
Net assets- beginning	474,735	1,169,752	1,644,487
Net assets- ending	\$ <u><u>515,367</u></u>	\$ <u><u>1,162,618</u></u>	\$ <u><u>1,677,985</u></u>

The notes to the financial statements are an integral part of these statements.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements September 30, 2006 and 2005

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The Regional Planning Commission of Greater Birmingham ("RPC" or "the Commission") was established in 1969 by the Alabama Legislature to serve as an advisory planning agency for local municipalities and governments within Blount, Chilton, Jefferson, Shelby, St. Clair and Walker Counties. The Commission also provides technical assistance and recommendations for economic development, community development, governmental services and human resource services.

The accompanying financial statements present the Commission's operations. The Commission has no blended or discrete component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This statement changed the reporting model for state and local governments. RPC is considered a Phase 3 government entity- with total annual revenues of less than \$10 million- and was required to adopt GASB 34 for periods beginning after June 30, 2003. Management has adopted GASB 34 as it pertains to RPC.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. *Governmental activities* are normally supported by regional appropriations, intergovernmental revenues and grants.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements – (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Direct expenses also include charges for an indirect overhead rate that is based upon general administrative expenses. RPC *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or segment. Regional appropriations and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement preparation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Regional appropriations are recognized as revenues in the year for which they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Dues from member municipalities and counties, interest and grant revenue associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement preparation (Continued)

The RPC reports the following major governmental funds:

The *general fund* is the RPC's primary operating fund. It accounts for all financial resources of the Commission, except those required to be accounted for in another fund.

The *transportation program fund* is used to account for Alabama Department of Transportation Funded Unified (Transportation) Planning Work Program and Special Transportation Projects - within the following elements of the Commission's work program:

- Base Data for Planning
- Comprehensive Planning
- Transportation Planning

The Federal Transit Administration, the Federal Highway Administration, and the Alabama Department of Transportation provide financing.

The *traffic safety program fund* is used to account for support to local enforcement activities. Financing is provided by the Alabama Department of Economic and Community Affairs (ADECA).

The *human resources fund* is used to account for the operations of several sub-elements within the Aging Services element of the Commission's work program. Financing is provided by the U.S. Department of Labor.

The human resources fund also includes human resource service administration related grants, via the Alabama Department of Human Resources (DHR), that is used to provide in-kind services for local service and delivery agencies.

The *other regional planning fund* is used to account for the operations that are not considered major programs. This includes funds received from the Appalachian Regional Commission (ARC), the Federal Economic Development Association (EDA), ADECA, and local governments.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement preparation (Continued)

The RPC maintains two fiduciary funds, the *regional loan fund* and the *deferred compensation fund*. The regional loan fund was created from a bond issue by the state of Alabama, the proceeds of which were distributed equally to each of the State's planning commissions, and is used to account for funds loaned to small business for area economic development. The deferred compensation plan fund is used to account for RPC's pension fund. The fiduciary funds are not reflected in the government-wide financial statements because the resources from those funds are not available to support the RPC's own programs.

The RPC has no material proprietary funds for reporting purposes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Likewise, general revenues include all regional appropriation dues from member municipalities and counties, interest and other miscellaneous receipts.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash

The Commission pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due to and due from other funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets, which includes furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets which consists of furniture and equipment, are depreciated using the straight line method over a five year useful life.

Post Employment Healthcare Benefits

The Commission does not provide post employment healthcare except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Commission.

Compensated Absences

The Commission has a standard policy for its full-time employees as to sick and vacation leave. Each employee, after the completion of one year of service, is allowed a vacation with pay at the rate of two weeks (ten working days) in any one calendar year. Upon completion of five years full-time service with the Commission, employees are allowed a vacation at the rate of three weeks (fifteen working days) per year. Upon completion of ten years full-time service with the Commission, employees are allowed a vacation at the rate of four weeks (twenty working days) per year. Upon completion of fifteen years full-time service with the Commission, employees are allowed a vacation at the rate of five weeks (twenty-five working days) per year. Earned vacation time may be allowed to accumulate. Maximum allowable accrued vacation cannot exceed six weeks (thirty working days). Employees who resign in good standing or who are separated from the service of the Commission without fault or delinquency on their part will be paid for the actual number of vacation days earned to the date of separation.

Each employee of the Commission is entitled to sick leave with pay at the rate of one day of sick leave per month of full-time service with the Commission. Unused sick leave allowances may be carried over to the succeeding months and accumulated up to ninety working days.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

At September 30, 2006 and 2005, the amount of the liability for all full - time employees of the Commission for accumulated vacation was \$ 56,583 and \$ 78,747, respectively.

Budget

Because of the nature of the operations of RPC, annual appropriated operating budgets are not used as a means of governance. The financials, therefore, do not include budget versus actual comparisons.

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE STATEMENT AND FUND FINANCIAL STATEMENTS

Cost Allocation

Costs were distributed to the projects and activities by an allocation method meeting the requirements of OMB Circular A-87. As of September 30, 2006 and 2005, the indirect cost rate based on actual expenditures was 82.70 % and 56.90 %, respectively. As of September 30, 2006 and 2005, the fringe benefit cost rate based on actual expenditures was 49.48 % and 63.80 %, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates made by the Commission. These estimates affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. Elements of that reconciliation explain that compensated absences and capital assets of governmental activities are not financial resources and therefore are not reported in the funds. The details of this \$(1,120,037) and \$31,827 difference are as follows:

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE STATEMENT AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (Continued)

	<u>2006</u>	<u>2005</u>
Compensated absences	\$ (56,583)	\$ (78,747)
Capital assets used in governmental activities	58,472	110,574
Long-term debt	<u>(1,121,926)</u>	<u>-</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(1,120,037)</u>	<u>\$ 31,827</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances is different from fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The details of this \$(29,938) and \$(84,299) difference are as follows:

	<u>2006</u>	<u>2005</u>
Net increase (decrease) in fund balance total governmental funds	\$ 178,498	\$ (440,266)

One element is that Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(52,102)	(64,089)
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THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued
September 30, 2006 and 2005

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE STATEMENT AND FUND FINANCIAL STATEMENTS (Continued)

	<u>2006</u>	<u>2005</u>
Also, some expenses and long-term financing sources reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as changes in compensated absences, which were as follows:		
Change in compensated absences	22,164	(20,210)
Issuance of long-term debt	<u>(1,121,926)</u>	<u>-</u>
Net adjustment to governmental funds to arrive at changes in net assets of governmental activities	<u>(1,151,864)</u>	<u>(84,299)</u>
Changes in Net Assets of governmental activities	<u>\$ (973,366)</u>	<u>\$ (524,565)</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Agency places its temporary cash investments with financial institutions insured by the Federal Deposit Insurance Corporation. At times deposits may be in excess of insurance coverage limits.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the RPC's individual major funds and non-major funds are as follows:

Receivables:	<u>2006</u>	<u>2005</u>
General Fund	\$ 831,914	\$ 1,192,056
Transportation Programs	-	-
Human Resources	-	-
Other Regional Planning	<u>107,630</u>	<u>-</u>
Total	<u>\$ 939,544</u>	<u>\$ 1,192,056</u>

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 789,381	\$ -	\$ -	\$ 789,381
Less accumulated depreciation for:				
Furniture and equipment	<u>(678,807)</u>	<u>(52,102)</u>	<u>-</u>	<u>(730,909)</u>
Total capital assets, net of depreciation	<u>\$ 110,574</u>	<u>\$ (52,102)</u>	<u>\$ -</u>	<u>\$ 58,472</u>

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 789,381	\$ -	\$ -	\$ 789,381
Less accumulated depreciation for:				
Furniture and equipment	<u>(614,718)</u>	<u>(64,089)</u>	<u>-</u>	<u>(678,807)</u>
Total capital assets, net of depreciation	<u>\$ 174,663</u>	<u>\$ (64,089)</u>	<u>\$ -</u>	<u>\$ 110,574</u>

Depreciation expense was \$ 52,120 and \$ 64,089 for the years ended September 30, 2006 and 2005.

NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT

As of September 30, 2005, the Commission had an available line-of-credit with Wachovia Bank in the amount of \$450,000. The amount outstanding under the line was \$240,000 as of September 30, 2005. Borrowings under the line-of-credit bear interest at the banks prime's rate plus an agreed upon percentage. The line is collateralized by certain assets of the Commission. The Commission must also meet certain covenants identified in the line-of-credit agreement

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT (Continued)

In July 2006, the Commission replaced its existing line-of-credit (\$450,000) for a short-term note and a long-term loan with Wachovia Bank. The new short-term loan agreement provides a maximum facility of \$250,000. As of September 30, 2006, the amount outstanding under the short-term loan is \$250,000. This short-term loan is in place to refinance existing debt and provide working capital. Interest is paid monthly that floats at 1.5 percent over LIBOR (6.85 percent at September 30, 2006). The short-term loan is collateralized by personal property of the Commission. The Commission must also meet certain covenants identified in the note agreement.

In July 2006, the Commission entered into a long-term note agreement with Wachovia Bank in the amount of \$1,250,000. The long-term note is secured by personal property of the Commission. The long-term note bears interest at 1.5 percent over LIBOR (6.85 percent at September 30, 2006), and is due in July 2016. The amount outstanding at September 30, 2006 is \$1,484,000.

Long-term debt is comprised as follows:

	<u>2006</u>	<u>2005</u>
Short-term note payable to bank, interest at prime plus 1 ½ percent (6.85% as of September 30, 2006), monthly installments of \$1,420 with balance due on November 30, 2006	\$ 250,000	\$ -
Long-term note payable to bank, interest at prime plus 1 ½ percent (6.85% as of September 30, 2006), monthly installments of \$14,909 including interest, with balloon balance due July 20, 2016.	1,234,888	-
	1,484,888	-
Less current portion	362,962	-
	<u>\$ 1,121,926</u>	<u>\$ -</u>

Long-term debt matures as follows:

2007	\$ 362,962
2008	104,254
2009	111,624
2010	119,514
2011	127,963
Thereafter	658,571
	<u>\$ 1,484,888</u>

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 8 - LEASES

The Commission leases office facilities with lease terms of 5 and 10 years. The future minimum lease payments are as follows:

2007	\$ 182,039
2008	169,851
2009	141,289
2010	144,479
2011	147,758
Thereafter	<u>227,545</u>
Total	<u>\$ 1,012,961</u>

Rent expense for 2006 and 2005 amounted to \$187,502 and \$189,419, respectively.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description

Membership in the Employees' Retirement Systems of Alabama ("the System") is mandatory for covered or eligible employees of the Commission. The system is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for various state agencies and departments.

As of September 30, the employee data related to the pension plan was as follows:

	<u>2006</u>	<u>2005</u>
Retirees and beneficiaries receiving benefits, terminated plan members entitled to but not yet receiving benefits, and disabled employees receiving benefits	14	14
Annual Retirement Allowance	\$ 240,202	\$ 232,110
Number of Active Members	30	38
Annual Compensation	\$ 1,394,768	\$ 1,739,434

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age sixty or after twenty-five years of service. Retirement benefits are calculated by three methods with the retiree receiving payment under the method which yields the highest monthly benefits.

The methods are (1) Minimum Guaranteed, (2) Money Purchase, and (3) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner except that a reduction factor is computed based upon .25% for each month the member is less than age sixty or each month of service less than twenty-five years for a maximum reduction of 25%. The System also provides preretirement death benefits in the amount of the annual salary for the fiscal year preceding death.

Employees are required by statute to contribute 5 percent of their salary to the System with the Commission being required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due.

Funding Status and Progress

The amount shown below as the "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess the program made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Status and Progress (Continued)

The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

<u>Actuarial Covered Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)-Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
September 30, 2002	\$3,322,333	\$3,298,593	(\$23,740)	100.7%	\$978,252	(2.4%)
September 30, 2003	\$3,377,945	\$3,624,880	\$246,935	93.2%	\$1,527,693	16.2%
September 30, 2004	\$3,499,187	\$3,841,550	\$342,363	91.1%	\$1,739,434	19.7%
September 30, 2005	\$3,661,676	\$4,346,501	\$684,825	84.2%	\$1,394,768	47.1%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2005
Actuarial Cost Method	Entry age
Amortization Method	Level percent open
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Investment Rate of Return	8% per annum
Project Salary (Increase)	4.61% - 7.75%
Including Inflation at	4.50%
Cost of living adjustments	None

Employer contributions required to fund benefits are determined following a level funding approach and consist of a normal contribution determined using the "entry age normal" method and an accrued liability contribution that is expected to liquidate the accrued liability within the funding period. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Status and Progress (Continued)

The required employer contribution rates as of September 30, was as follows:

	<u>2006</u>	<u>2005</u>
Normal cost percentage	5.06%	5.22%
Amortization of unfunded actuarial accrued liability	3.27%	1.39%
Death benefits	.15%	.15%
Administration	<u>.18%</u>	<u>.18%</u>
 Total	 <u>8.66%</u>	 <u>6.94%</u>

Contribution Required and Contribution Made

Total contributions to the pension plan as of September 30, 2006 and 2005 was \$73,160 and \$104,356, respectively.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Presented below is data for the four-year period ended September 30, 2005:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2002	\$26,372	100.00%	\$ 0
9/30/2003	\$34,449	100.00%	\$ 0
9/30/2004	\$79,689	100.00%	\$ 0
9/30/2005	\$98,231	100.00%	\$ 0

This information is presented in the annual report of the Retirement Systems of Alabama for the years ended September 30, 2005 and 2004.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Notes to Financial Statements - Continued September 30, 2006 and 2005

NOTE 10 - CONTINGENT LIABILITIES

Use of federal, state locally administered federal and other grant funds is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

The RPC's September 30, 2005 independent audits under the provisions of U.S. Office of Management and Budget Circular A-133 (OMB A-133) is delinquent. OMB A-133 requires that audits be submitted within nine months subsequent to year end.

Also noted in the OMB-A133 and internal control GAAS findings, RPC, during 2005, was slow to pay vendors and requested reimbursement on reimbursable grants prior to actually paying the vendor which is in direct violation of the reimbursement grant agreements.

Management is unable to estimate the impact of these delinquencies or violation of grant agreement provisions for reimbursement on future findings or of other punitive measures that may result. As such, no corresponding liability is disclosed in the financial statements.

SUPPLEMENTAL INFORMATION

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Schedule of Expenditures of Federal Awards
For the year ended September 30, 2006**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Period</u>	<u>Federal Identification Number</u>	<u>Federal Award Amount</u>	<u>Total Funds Expended</u>
U.S. Department of Transportation					
Passed Through the Alabama State Highway Department of Transportation:					
F.W.H.A. Section 112(M)	20.205	10/01/05 - 09/30/06	PL-N8-100-047-595-2	627,165	557,303
FTA Section 5303	20.514	10/01/05 - 09/30/06	UM-PL-100-047-481	108,239	107,830
Rideshare	20.205	10/01/05 - 09/30/06	CMAQ-100-039-885	800,000	359,570
Ozone Awareness	20.205	07/21/03 - 01/15/07	CMAQ-100-039-878-2	2,440,000	505,287
Bicycle & Pedestrian Study	20.205	10/01/05 - 09/30/06	CMAQ-100-039-887-2	520,000	138,110
Lets Section 163.08	20.600	07/01/03-01/01/06	BACT-100-042-838	600,000	246,330
ARCServer Streets Project	20.205	03/01/06 - 09/30/07	BACT-100-047-685	200,000	88,012
Corridor Alternative Analysis	20.500	10/01/05 - 09/30/06	Downtown University Transit Project	5,295,404	2,450,960
			Total	<u>114,167</u>	<u>114,167</u>
Appalachian Regional Commission					
<u>Direct Program:</u>					
Local Development Districts	23.009	01/01/06 - 12/31/06	AL-0700E-C35	100,000	100,000
I-20 Corridor Study- Phase II	23.009	07/01/03 - 07/31/05	AL-14489-03	14,167	14,167
			Total	<u>114,167</u>	<u>114,167</u>
U.S. Department of Commerce					
Passed Through the Economic Development Administration					
<u>Direct Program:</u>					
EDA	11.302	04/01/06 - 03/31/07	04-83-057-36	53,500	53,500
U.S. Department of Health and Human Services					
Passed Through the Alabama Department of Human Resources:					
Claims Workers	10.561	10/01/05 - 09/30/06	0956	67,736	52,157
Job Case Aids	93.667	10/01/05 - 09/30/06	0944	193,000	177,903
			Total	<u>260,736</u>	<u>230,060</u>

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Schedule of Expenditures of Federal Awards
For the year ended September 30, 2006**

U.S. Environmental Protection Agency

Direct Program:

Upper Cahaba Watershed Study - Phase II

10.906	08/15/02 - 06/30/05	X97451002-2	300,000	75,000
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U.S. Department of Labor

Passed Through the Alabama

Commission of Aging:

Senior Community Service Employment Program
Senior Community Service Employment Program

17.235	07/01/05 - 06/30/06	AD-10561-00-55	179,482	115,872
17.235	07/01/06 - 06/30/07	AD-10561-00-55	74,032	45,346
			<u>253,514</u>	<u>161,218</u>

Passed Through the Senior Service

America, Inc.:

Senior Community Service Employment Program
Senior Community Service Employment Program

17.235	07/01/05 - 06/30/06	80-10530-00-55	546,575	437,219
17.235	07/01/06 - 06/30/07	80-10530-00-55	568,553	131,334
		Total	<u>1,115,128</u>	<u>568,553</u>

TOTALS 7,392,449 3,653,458

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Schedule of Expenditures of Federal Awards
For the year ended September 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Period</u>	<u>Federal Identification Number</u>	<u>Federal Award Amount</u>	<u>Total Funds Expended</u>
U.S. Department of Transportation					
Passed Through the Alabama State Highway Department of Transportation					
F.W.H.A. Section 112(M)	20.205	10/01/04 - 09/30/05	PL-N8-100-045-354	\$ 656,178	656,178
U.M.T.A. Section 5303	20.514	10/01/04 - 09/30/05	UM-PL-100-045-991	238,934	238,694
Rideshare	20.205	10/01/04 - 09/30/05	CMAQ-100-039-885	800,000	495,506
Ozone Awareness	20.205	07/21/03 - 01/15/07	CMAQ-100-039-878-2	1,440,000	891,320
Bicycle & Pedestrian Study	20.205	10/01/04 - 09/30/05	CMAQ-100-039-887-2	520,000	98,373
Lets Section 163.08	20.600	07/01/03 - 01/01/06	BACT-100-042-838	600,000	131,412
Corridor "X" Study	20.500	03/03/03 - 01/15/07	SPR-100-043-052	200,000	117,436
Corridor Alternative Analysis	20.500	10/01/04 - 09/30/05	Downtown-University Transit Project	4,455,133	2,726,832
			Total	50,000	-
U.S. Department of Transportation					
Passed through the Alabama State Department of Economic Traffic/Safety Division:					
DUI Enforcement Program	20.600	05/01/04 - 04/30/05	04-DT-163-007	50,000	-
Appalachian Regional Commission					
Direct Program:					
Local Development Districts	23.009	01/10/04 - 12/31/04	AL-0700E-C-32-302	100,000	100,000
i-20 Corridor Study- Phase II	23.009	07/01/03 - 09/30/03	AL-14489-03	34,019	34,019
			Total	134,019	134,019
U.S. Department of Commerce					
Passed Through the Economic Development Administration					
Direct Program:					
EDA	11.302	04/01/05 - 03/31/06	04-830-461-701	52,000	52,000

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Schedule of Expenditures of Federal Awards
For the year ended September 30, 2005**

**U.S. Department of Health and Human Services
Passed Through the Alabama Department**

of Human Resources:

Claims Workers	10.561	10/1/04 - 9/30/05	0956	89,935	67,998
Job Case Aids	93.667	10/1/04 - 9/30/05	0944	183,747	159,300
			Total	273,682	227,298

U.S. Environmental Protection Agency

Direct Program:

Upper Cahaba Watershed Study - Phase II	10.906	8/15/02 - 6/30/05	X97451002-2	300,000	75,000
Alabama Department of Environmental Management	10.906	10/1/04 - 9/30/05		9,031	9,031
			Total	309,031	84,031

U.S. Department of Housing and Urban Development

Direct Program:

HUD - EDI Special Economic Development Study	11.302	02/20/03 - No end date	B-03-SP-AL-0015	89,415	12,566
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U.S. Department of Labor

Passed Through the Alabama

Commission of Aging:

Senior Community Service Employment Program	17.235	07/01/04 - 06/30/05	AD-10561-00-55	217,496	163,122
Senior Community Service Employment Program	17.235	07/01/05 - 06/30/06	AD-10561-00-55	179,482	63,610
				396,978	226,732

Passed Through the Senior Service

America, Inc:

Senior Community Service Employment Program	17.235	07/01/04 - 06/30/05	80-10530-00-55	582,959	437,219
Senior Community Service Employment Program	17.235	07/01/05 - 06/30/06	80-10530-00-55	546,575	109,356
			Total	1,129,534	546,575

TOTALS \$ 6,889,792 \$ 4,010,053

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Expenditures of Federal Awards For the year ended September 30, 2006 and 2005

Note to the Schedules of Expenditures of Federal Awards

BASIS OF PRESENTATION

The schedules of expenditures of federal awards include the federal grant activity of the Regional Planning Commission of Greater Birmingham ("Commission") and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non - Profit Organization*.

**REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Executive Committee of the
Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

We have audited the basic financial statements of the Regional Planning Commission of Greater Birmingham ("the Commission") as of September 30, 2006 and for the year then ended and have issued our report thereon dated January 29, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the *general-purpose* financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the executive committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 29, 2007

DiPiazza, LaRocca, McDowell & Co., P.C.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Executive Committee of the
The Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

Compliance

We have audited the compliance of the Regional Planning Commission of Greater Birmingham ("the Commission") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audits of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audits do not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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To the Executive Committee of the
The Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Executive Committee, management, federal, state and local regulatory and funding agencies and is not intended to be and should not be used by anyone other than the specified parties.

D. Pizze, S. Raca, Mc Powell & Co., P.C.

January 29, 2007

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material-weakness(es) identified	_____ Yes	___X___ No
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ Yes	___X___ None Reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No
Reportable conditions identified that are not considered to be material weaknesses?	_____ Yes	___X___ None Reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes ___X___ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	F.W.H.A. Section 112
20.205	Ozone Awareness
20.205	Rideshare
20.500	Corridor Alternative Analysis
17.235	Senior Community Service Employment
	Other:
10.906	Upper Cahaba Watershed Study II
11.302	Economic Development Administration
20.604	Law Enforcement/ Safety
20.514	UMTA Section 5303

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2006

Section III – Prior Year Financial Statement Findings – (Continued)

for unpaid invoices from the granting agency prior to actually paying the vendor. If cash is not available, vendor payments are extended beyond this time frame.

Recommendation - RPC should review its cash management policies and make payment to vendors in a timely manner in accordance with grant terms.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-2 OMB A-133 and internal control GAAS

Criteria - Management should monitor the results of financial operations on a timely basis and use a budget as a basis to compare planned to actual results.

Condition - Budgets are not incorporated in monitoring financial operations since they are not developed and adopted in a timely manner. The significant variances noted between actual and budgeted results indicate that the budgeting process needs to be better developed and refined prior to adoption. Management is not provided adequate monthly financial reports to monitor operations effectively.

Effect - Inadequate budgetary controls and financial monitoring violates GASB financial accounting and reporting standards and hinders the ability of management and the Board to provide sufficient oversight of the fiscal operations of the organization.

Cause - Sufficient resources and time are not allocated to the development of comprehensive budgets that contain underlying assumptions that relate the production of revenue to the costs of providing such revenue. The technical skills of the accounting department, and the tools and resources supporting them, do not sufficiently address RPC's planning and analytical needs.

Recommendation - Accurate budgets should be established in a timely manner for upcoming fiscal years to help the agency monitor revenues and expenses and become a useful financial resource for management and others.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2006

Section III – Prior Year Financial Statement Findings – (Continued)

2002-3 OMB A-133 compliance

Criteria - Financial statements should be submitted nine months after the end of the audit period unless an extension is granted by the cognizant oversight agency.

Condition - Financial statements for the year ended September 30, 2005 have not been submitted as of January 29, 2007.

Effect - This is a violation of federal reporting policy for single audits.

Cause - Failure to submit the reporting package in a timely manner occurred primarily due to limited staff resources within the accounting department. With only one employee focused on accounting for the day to day operations of the Commission there was a lack of accounting resources available to assist in the audit and financial reporting function.

Recommendation - The RPC should devote adequate resources to financial reporting to allow for timely financial reporting in accordance with federal reporting policy guidelines.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

**REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Executive Committee of the
Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

We have audited the basic financial statements of the Regional Planning Commission of Greater Birmingham ("the Commission") as of September 30, 2005 and for the year then ended and have issued our report thereon dated January 29, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Commission's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the *general-purpose* financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items:

2002-1
2002-2

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To the Executive Committee of the
The Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-2 to be a material weakness.

This report is intended solely for the information and use of the Executive Committee, management, Federal, State, and local regulatory and funding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

D. Piaggio, L. Pace, M. Powell & Co., P.C.

January 29, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Executive Committee of the
The Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

Compliance

We have audited the compliance of the Regional Planning Commission of Greater Birmingham ("the Commission") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audits of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on the Commission's compliance with those requirements.

As described in items 2002-1 and 2002-3 in the accompanying schedule of findings and questioned costs, the Commission, did not comply with requirements regarding cost reimbursement procedures or report submission requirements that are applicable to its Alabama Department of Transportation federal programs (as to cost reimbursement) and all federal programs (as to report submission requirements). Compliance with such requirements is necessary, in our opinion, for the Commission, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

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To the Executive Committee of the
The Regional Planning Commission of Greater Birmingham
Birmingham, Alabama

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items:

2002-1
2002-2
2002-3

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-2 to be material weakness.

This report is intended for the information of the Executive Committee, management, federal, state and local regulatory and funding agencies and is not intended to be and should not be used by anyone other than the specified parties.

D. Prigge, J. Rocca, Mc Dowell & Co., P.C.

January 29, 2007

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs For the Year Ended September 30 2005

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material-weakness(es) identified X Yes No

Reportable condition(s) identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes No

Reportable conditions identified that are not considered to be material weaknesses? X Yes None Reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

20.205	F.W.H.A. Section 112
20.206	Ozone Awareness
20.205	Rideshare
20.501	Corridor Alternative Analysis
17.236	Senior Community Service Employment
	Other:
11.302	Housing and Urban Development
11.302	Economic Development Administration
20.600	Traffic Safety
20.514	UMTA Section 5303

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

**Schedule of Findings and Questioned Costs - Continued
For the Year Ended September 30, 2005**

Section I - Summary of Auditor's Results - (Continued)

Federal Awards - Continued

23.009	Appalachian Regional Commission
93.668	Homemaker/Clerical/Case Aides
10.562	Claims Workers
20.515	U.M.T.A. Section 5303
10.906	Upper Cahaba Watershed – Phase II
10.906	Alabama Department of Environmental Management

Dollar threshold used to distinguish between
type A and type B programs:

Auditee qualified as low-risk auditee? \$300,000

_____ Yes X No

Section II - Financial Statement Findings

Note that repeat findings are marked with an asterisk (*).

2002-1 OMB A-133 and internal control GAAS *

Criteria - Disbursements to vendors for costs reimbursed through grants should be made prior to the reimbursement request and in a timely manner.

Condition - Invoices from vendors for goods and services are entered in accounts payable upon receipt. If the expenditures are allowed to be reimbursed from grants, the invoices are submitted to the grantor for reimbursement before the vendor is actually paid. We found instances where checks to vendors did not clear the bank within 90 days of when the related grant reimbursements were received.

Effect - RPC is using the float arising from delays in paying vendors for purposes not intended by the grant, therefore, violating the restrictive provisions of the grant.

Cause - RPC has experienced cash flow management problems during the year. These were caused in part from delays in receiving reimbursements from grants in a timely basis. RPC has followed a practice of delaying payment to vendors and seeking payment for unpaid invoices from the granting agency prior to actually paying the vendor. If cash is not available, vendor payments are extended beyond this time frame.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2005

Section II - Financial Statement Findings - (Continued)

Recommendation - RPC should review its cash management policies and make payment to vendors in a timely manner in accordance with grant terms.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-2 OMB A-133 and internal control GAAS*

Criteria - Management should monitor the results of financial operations on a timely basis and use a budget as a basis to compare planned to actual results.

Condition - Budgets are not incorporated in monitoring financial operations since they are not developed and adopted in a timely manner. The significant variances noted between actual and budgeted results indicate that the budgeting process needs to be better developed and refined prior to adoption. Management is not provided adequate monthly financial reports to monitor operations effectively.

Effect - Inadequate budgetary controls and financial monitoring violates GASB financial accounting and reporting standards and hinders the ability of management and the Board to provide sufficient oversight of the fiscal operations of the organization.

Cause - Sufficient resources and time are not allocated to the development of comprehensive budgets that contain underlying assumptions that relate the production of revenue to the costs of providing such revenue. The technical skills of the accounting department, and the tools and resources supporting them, do not sufficiently address RPC's planning and analytical needs.

Recommendation - Accurate budgets should be established in a timely manner for upcoming fiscal years to help the agency monitor revenues and expenses and become a useful financial resource for management and others.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2005

Section II - Financial Statement Findings - (Continued)

2002-3 OMB A-133 compliance*

Criteria - Financial statements should be submitted nine months after the end of the audit period unless an extension is granted by the cognizant oversight agency.

Condition - Financial statements for the year ended September 30, 2006 and 2005 have not been submitted as of September 12, 2006.

Effect - This is a violation of federal reporting policy for single audits.

Cause - Failure to submit the reporting package in a timely manner occurred primarily due to limited staff resources within the accounting department. With only one employee focused on accounting for the day to day operations of the Commission there was a lack of accounting resources available to assist in the audit and financial reporting function.

Recommendation - The RPC should devote adequate resources to financial reporting to allow for timely financial reporting in accordance with federal reporting policy guidelines.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

Section III - Prior Year Financial Statement Findings

Note that repeat findings are marked with an asterisk (*).

2002-1 OMB A-133 and internal control GAAS *

Criteria - Disbursements to vendors for costs reimbursed through grants should be made prior to the reimbursement request and in a timely manner.

Condition - Invoices from vendors for goods and services are entered in accounts payable upon receipt. If the expenditures are allowed to be reimbursed from grants, the invoices are submitted to the grantor for reimbursement before the vendor is actually paid. We found instances where checks to vendors did not clear the bank within 90 days of when the related grant reimbursements were received.

Effect - RPC is using the float arising from delays in paying vendors for purposes not intended by the grant, therefore, violating the restrictive provisions of the grant.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2005

Section III—Prior Year Financial Statement Findings – (Continued)

Cause - RPC has experienced cash flow management problems during the year. These were caused in part from delays in receiving reimbursements from grants in a timely basis. RPC has followed a practice of delaying payment to vendors and seeking payment for unpaid invoices from the granting agency prior to actually paying the vendor. If cash is not available, vendor payments are extended beyond this time frame.

Recommendation - RPC should review its cash management policies and make payment to vendors in a timely manner in accordance with grant terms.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-2 OMB A-133 and internal control GAAS*

Criteria - Significant balance sheet accounts such as receivables and payables should be supported by detail subsidiary ledgers that provide aging information.

Condition - Significant balance sheet accounts such as receivables and payables are not supported by detail subsidiary ledgers. Management is not provided with aging information to assist with appropriate follow up and action.

Effect - Optimal cash flow and asset management goals are difficult to achieve without adequate information.

Cause - Only the general ledger module of the accounting software is being used. Alternative means (such as electronic spreadsheets) to track the details of accounts are not employed.

Recommendation - Subsidiary ledgers should be maintained for all balance sheet accounts. Accounts receivable and accounts payable should have aged subsidiary ledgers which agree to the general ledger as of year-end.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2005

Section III - Prior Year Financial Statement Findings - (Continued)

2002-3 OMB A-133 and internal control GAAS*

Criteria - Management should monitor the results of financial operations on a timely basis and use a budget as a basis to compare planned to actual results.

Condition - Budgets are not incorporated in monitoring financial operations since they are not developed and adopted in a timely manner. The significant variances noted between actual and budgeted results indicate that the budgeting process needs to be better developed and refined prior to adoption. Management is not provided adequate monthly financial reports to monitor operations effectively.

Effect - Inadequate budgetary controls and financial monitoring violates GASB financial accounting and reporting standards and hinders the ability of management and the Board to provide sufficient oversight of the fiscal operations of the organization.

Cause - Sufficient resources and time are not allocated to the development of comprehensive budgets that contain underlying assumptions that relate the production of revenue to the costs of providing such revenue. The technical skills of the accounting department, and the tools and resources supporting them, do not sufficiently address RPC's planning and analytical needs.

Recommendation - Accurate budgets should be established in a timely manner for upcoming fiscal years to help the agency monitor revenues and expenses and become a useful financial resource for management and others.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-4 OMB A-133 and internal control GAAS*

Criteria - Records to support individual grants should be complete and be maintained so that supporting documentation can be easily accessed.

Condition - Copies of grant documents are not stored in a central and secure location. Important correspondence, reports and tracking reports are in various locations which makes summarizing grant activity and monitoring compliance with grant requirements difficult.

Effect - RPC is economically dependent on receiving Federal and local grants and sufficient oversight beyond the program director level is necessary to assure compliance with grant terms and conditions. OMB Circular A-133 requires accurate reporting of expenditures by CFDA number and management is not able to provide this information without assistance from the external auditor.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2005

Section III - Prior Year Financial Statement Findings - (Continued)

Cause - The technical skills of the accounting department, and the tools and resources supporting them, do not sufficiently address RPC's needs to provide effective oversight of grant activities.

Recommendation - A policy should be developed for maintaining grant records that is uniform throughout the organization so that supporting documentation can be easily accessed.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-5 OMB A-133 and internal control GAAS*

Criteria - The Senior Aides grant (CFDA 17.235) limits employee to 1,080 hours.

Condition - We reviewed 25 files and found that one employee worked 33.25 hours in excess of the 1,080 limit.

Effect - In this instance, RPC did not comply with the grant terms.

Cause - Error originated by hosting agency in allowing the employee to work too many hours and RPC's monitoring internal controls were insufficient to prevent or detect the compliance exception.

Recommendation - Host agency monitoring agents should ensure that Senior Aides employees do not work in excess of 1,080 hours.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-6 OMB A-133 compliance and internal control GAAS*

Criteria - Documentation required to comply with grants should be retained in accordance with Federal guidelines.

Condition - For the Senior Aides grant (CFDA 17.235), RPC's policy allows documentation supporting monitoring visits to hosting agencies to be destroyed once the grant is closed and the pass-through agency has completed their review.

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30, 2005

Section III - Prior Year Financial Statement Findings - (Continued)

Effect - RPC's policy conflicts with Federal guidelines requiring important supporting documentation that provides evidence of compliance with grant terms be retained for a period of at least 3 years. We were unable to test a control over compliance due to insufficient documentation.

Cause - Management believed that documentation requirements ended with the review by the pass-through agency.

Recommendation - Documentation should be maintained in accordance with Federal guidelines.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-7 OMB A-133 compliance*

Criteria - Financial statements should be submitted nine months after the end of the audit period unless an extension is granted by the cognizant oversight agency.

Condition - Financial statements for the year ended September 30, 2006 and 2005 have not been submitted as of September 12, 2006.

Effect - This is a violation of federal reporting policy for single audits.

Cause - Failure to submit the reporting package in a timely manner occurred primarily due to limited staff resources within the accounting department. With only one employee focused on accounting for the day to day operations of the Commission there was a lack of accounting resources available to assist in the audit and financial reporting function.

Recommendation - The RPC should devote adequate resources to financial reporting to allow for timely financial reporting in accordance with federal reporting policy guidelines.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.

2002-8 OMB A-133 compliance and internal control GAAS*

Criteria - For reimbursement type grants only allowable actual charges should be submitted for reimbursement in accordance with the grant agreement.

Condition - The RPC overcharged the Alabama Department of Human Resources for an employee's

THE REGIONAL PLANNING COMMISSION OF GREATER BIRMINGHAM

Schedule of Findings and Questioned Costs - Continued For the Year Ended September 30 2005

Section III - Prior Year Financial Statement Findings - (Continued)

hours worked. The employee ceased employment and did not work a full, 40 hour, work week. However, RPC still charged the granting organization for the full week's salary amount.

Effect - This is in violation of the grant agreement with the DHR.

Cause - It appears this error occurred due to lack of reconciliation controls between the employee's time sheet and the information used for preparation of payroll.

Recommendation - Proper reconciliation controls should be implemented so that only actual allowable costs should be submitted for reimbursement.

Management Response - RPC management agrees that this is a problem and is developing operating procedures to improve this condition.